

ALLOCATIONS FOR MIGRANTS Returnees in peril

PORIMAL PALMA

Sabbir Hossain of Munshiganj returned home from Malaysia in mid-March when the Southeast Asian country was planning a lockdown to stem the spread of coronavirus.

"I thought returning home instead of being trapped there would be better. So, I came back. However, now my employer is saying I cannot go back to work in Malaysia because there is no work," he told The Daily Star yesterday.

Sabbir, 27, who worked in the construction sector in Johor Baruh for four years, said it took him almost three years to recoup the migration cost of Tk 3.5 lakh before he saved some money to construct a house.

"I don't have any savings now. If I get some loans, I may start a small business," he said without being sure what business he can do.

Sabbir said most of his Bangladeshi colleagues in Malaysia are now jobless and are worried about their future.

Migration experts and recruiting businesses fear several lakh Bangladeshi migrants might return home in the coming months after losing jobs as the economies of destination countries, mostly in the Middle East and Southeast Asia, are being badly affected because of the Covid-19 pandemic.

Against this backdrop, Finance Minister AHM Mustafa Kamal has proposed the allocation of Tk 500 crore that will be loaned to returnee migrants on easy terms for their rehabilitation through the Probashi Kalyan Bank. The Wage Earners' Welfare Board will allocate another Tk 200 crore with a similar objective.

Experts say the amounts are inadequate and also that the Probashi Kalyan Bank has not been proved to be efficient enough in loan management and socio-economic reintegration of returnee migrants.

Prof KAS Murshid, director general of the Bangladesh

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Measures inadequate

Say exporters

REFAJET ULLAH MIRDHA

The stimulus packages and measures announced by the government are inadequate to revive exports from the fallouts of the ongoing coronavirus pandemic, according to industry leaders.

"The government needs to go beyond such measures if it wants to boost exports and protect jobs of thousands of workers," they said.

Prompt implementation of the Tk 5,000 crore, Tk 20,000 crore and Tk 30,000 crore stimulus packages announced by the government would go a long way in safeguarding export-oriented sectors, they said.

Cooperation from the banking sector is needed to speed up implementation of the stimulus packages, they added.

Considering how the Covid-19 outbreak has negatively impacted Bangladesh's garment industry, the country's main export sector,

Finance Minister AHM Mustafa Kamal proposed the continuation of the 1 per cent additional cash incentive scheme for the upcoming fiscal year.

The government has been providing a 1 per cent additional cash subsidy on apparel exports since the beginning of the outgoing fiscal year.

This means garment exporters have enjoyed a 5 per cent cash incentive on all non-traditional export markets as well.

Other than the EU, the US and Canada, Bangladesh considers all markets as non-traditional.

The finance minister also proposed increasing tax deductions at source from 0.25 per cent to 0.50 per cent.

The current 0.25 per cent source tax levied on exporters was initially set to be 1 per cent but was later reduced through a statutory regulatory order (SRO).

The reduced 12 per cent and 10 per cent

corporate tax rates for non-green and green garment factories respectively should remain the same for the next two years, Kamal said.

The Export Development Fund was topped up from \$3.50 billion to \$5 billion in the new budget while VAT on the sale of synthetic and polyester yarn was set at Tk 6 per kilogramme.

Meanwhile, VAT on yarn meant for domestic markets was reduced by Tk 1 per kg.

At present, local yarn buyers have to pay Tk 4 per kg as VAT but according to the new proposal, they will have to pay Tk 3 per kg in the upcoming fiscal year.

Kamal also proposed that VAT should be waived altogether on the production of personal protective equipment (PPE) such as face masks.

PPE has become a major export item for Bangladesh in the past few months due to the ongoing coronavirus pandemic.

As always, no taxes will be levied on cotton

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TAXSLABS FY 2020-21



PERSONAL INCOME TAX

Up to Tk 3 lakh	No tax
Next Tk 1 lakh to total income (Tk 4 lakh)	5%
Next Tk 3 lakh to total income (Tk 4 lakh-Tk 7 lakh)	10%
Next Tk 4 lakh to total income (Tk 7 lakh- Tk 11 lakh)	15%
Next Tk 5 lakh to total income (Tk 11 lakh-Tk 16 lakh)	20%
Rest of the income (Tk 16 lakh-plus)	25%

Stock investors with nothing to cheer for

AHSAN HABIB

The proposed budget has brought no cheers for stock investors, who have been battered by a prolonged slump in indices, but promised measures to develop the country's bond market.

Though the government wants to allow investment of black money in the stock market, investors say such a move barely yielded good return in the past.

Adding to their woes, Finance Minister AHM Mustafa Kamal proposed to reduce the corporate tax gap between listed and non-listed companies which analysts think would discourage non-listed firms to go public.

Corporate tax for non-listed companies might be brought down by 2.5 percentage points to 32.5 per cent, but the rate would remain unchanged for listed companies at 25 per cent.

Although stock market analysts, bourses and market intermediaries have long been asking for widening the tax gap to attract well-performing companies into the market, the finance minister has done just the opposite.

"The shrink in the corporate tax gap would

discourage well-performing companies to get listed whereas we have long been trying to bring them in," said Khairul Bashar Abu Taher Mohammed, chief executive officer of MTB Capital.

"The government could have reduced the rate for listed companies in the same manner."

Md Masudur Rahman, a stock investor and a mid-level official of a corporate house, echoed the same, saying the gap reduction would obstruct the process of bringing good companies to the stock market.

"We hoped that the government would reduce the trading tax or beneficiary owner's account fee to give small investors some respite amid the pandemic. Investors will be benefitted if the steps are taken," said Rahman.

"From the budget we got only one thing: a right direction to develop the bond market. Other than that, there is nothing for the stock investors."

To make the bond market attractive by abolishing the existing provision of deduction of source tax upfront on interest and discount on bonds, the finance minister

proposed introducing the provision of the tax at the time of payment of interest and discount on bonds.

In addition, instead of the present provision of deducting withholding tax on the value of bond transactions, he suggested introduction of withholding tax deduction on the commission fixed by the Bangladesh Securities and Exchange Commission.

This is a positive step to make the bond market vibrant along with the proposal to allow undisclosed money in the stock market, said Mohammed.

The investment of undisclosed money may boost the cash-flow in the market. However, there is doubt whether the money would come to the market at the end, he said.

An insignificant amount of money was invested in the stock market earlier when such an opportunity was given in 2009-10, Mohammed added.

The finance minister said anyone can invest their undisclosed money in the stock market by paying a 10 per cent tax and the lock-in period will be three years.

Poor demand, poor allocation

MD FAZLUR RAHMAN

In the wake of a demand crunch for electricity and gas amid Covid-19 pandemic, the government has cut back on the spending on power and energy for fiscal 2020-21 as it has allocated Tk 26,758 crore for these sectors -- 4.6 per cent down year on year.

Finance Minister AHM Mustafa Kamal in his budget speech yesterday said Tk 24,853 crore would be allocated for the power sector while the energy sector would receive Tk 1,905 crore.

The total allocation for power and energy in the current fiscal year is Tk 28,051 crore.

The country currently has a power generation capacity of 24,000 megawatts, which is enough to bring the entire population under electricity coverage. But the government cannot utilize its generation capacity to the fullest due to the weak transmission and distribution systems.

"More importance would be given to improve the transmission and distribution systems," Nasrul Hamid, state minister for power and energy, told journalists on Wednesday, adding that the government were hoping to bring all households under electricity coverage by March next year.

Currently, about 96 per cent of the population have access to electricity, up from 47 per cent a decade ago.

"The government should prioritise expenditure, cut subsidies, focus on

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No lessons learnt from recessions

AKM Zamir Uddin

The previous global financial recessions gave a lesson that any economic fallout can be tackled smoothly if the health of banks is protected from the crisis.

But the issue was largely missed by Finance Minister AHM Mustafa Kamal in his yesterday's budget speech despite staring down a recession.

There has been no roadmap on how to improve the financial health and corporate governance of banks.

The finance minister had committed to forming a banking commission in the quickest possible time in his budget speech for fiscal 2019-20, but he did not take any move later.

Had the government reformed the banking sector then, the country would have been in better stead to tackle the ongoing economic crisis, said Ahsan H Mansur, executive director of the Policy Research Institute.

Although the habitual defaulters are largely responsible for the existing vulnerable situation in the banking sector, the finance minister did not declare anything to bring the delinquent borrowers to book, he said.

Defaulted loans in the banking sector hit Tk 94,313 crore at the end of 2019, up 0.42 per cent year-on-year, according to data from the Bangladesh Bank.

Mansur fears the pandemic will asphyxiate some weak banks, so the finance minister should have announced a merger

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